



March 10, 2015

MEMORANDUM FOR THE SECRETARY OF THE TREASURY
THE SECRETARY OF EDUCATION
THE COMMISSIONER OF SOCIAL SECURITY
THE DIRECTOR OF THE CONSUMER FINANCIAL PROTECTION BUREAU
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET
THE DIRECTOR OF THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY
THE DIRECTOR OF THE DOMESTIC POLICY COUNCIL

SUBJECT: Student Aid Bill of Rights to Help Ensure Affordable Loan Repayment

America thrived in the 20th century in large part because we had the most educated workforce in the world. Today, more than ever, Americans need knowledge and skills to meet the demands of a growing global economy. Since many students borrow to pay for postsecondary education, it is imperative they be able to manage their debt as they embark on their careers.

My Administration has taken historic action to ensure that college remains affordable and student debt remains manageable. We have eliminated tens of billions of dollars in student loan subsidies paid to banks in order to increase the maximum Pell grant by nearly \$1,000 and provide a path for borrowers to limit payments on many student loans to 10 percent of income, and we have worked with the Congress to enact the American Opportunity Tax Credit, worth \$10,000 over 4 years of college. We have promoted innovation and competition to bring down college costs, increased completion rates, and given consumers clear, transparent information on college performance.

College remains an excellent investment, and student loans enable many who could not otherwise do so to access further education. However, there is more work to do to help students repay their loans responsibly. In 2013, college graduates owed an average of \$28,400 in Federal and private loans. More than one in eight Federal borrowers default on their loans within 3 years of leaving school. My Administration has already put in place significant protections that ensure borrowers with credit cards and mortgages are treated fairly. We can and should do much more to give students affordable ways to meet their responsibilities and repay their loans.

Now is the time for stronger protections for the more than 40 million Americans with student loan debt. All student loan borrowers should have access to an efficient and responsive complaint and feedback system that holds loan servicers accountable and promotes transparency, the information and flexibility they need to repay their loan responsibly and avoid default, and protections to ensure that they will be treated fairly even if they struggle to repay their loans.

Therefore, by the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby direct the following:

Section 1. State-of-the-Art Complaint and Feedback System.

(a) Complaints and Feedback Regarding Federal Financial Aid. By July 1, 2016, the Secretary of Education shall develop and implement a simple process for borrowers to file complaints regarding

Federal financial aid, including those pertaining to lenders, loan servicers, private collection agencies, and institutions of higher education. The process shall allow people to file a complaint and monitor its progress toward resolution. In addition, the Department of Education will provide data from the complaint system to other enforcement agencies that are responsible for oversight of Federal student loan lenders, loan servicers, private collection agencies, and institutions of higher education. By October 1, 2017, and annually thereafter, the Department of Education shall publish a report summarizing and analyzing the content in and resolution of borrower complaints and feedback received through the process. By October 1, 2015, the Secretary of Education shall report to the President, through the Director of the Domestic Policy Council and the Director of the Office of Management and Budget, on the optimal way to address other student complaints regarding institutions of higher education that participate in Federal student financial aid programs.

(b) **Coordination Among Other Enforcement Agencies.** By October 1, 2015, the Secretary of Education shall, in consultation with the Director of the Consumer Financial Protection Bureau, recommend to the President, through the Director of the Domestic Policy Council and the Director of the Office of Management and Budget, a process for sharing information with relevant enforcement agencies so that those enforcement agencies may refer matters where there may be violations of consumer protection law.

Sec. 2. Helping Borrowers Repay Their Loans and Avoid Default.

(a) **Higher Standards for Federal Direct Loan Servicing.** By January 1, 2016, the Secretary of Education shall require all Federal Direct student loan servicers to provide enhanced disclosures to borrowers and strengthened consumer protections. These disclosures and consumer protections shall be improved throughout the loan repayment process, and shall include disclosures to borrowers regarding loan transfers from one servicer to another and notifications when borrowers become delinquent or have incomplete applications to change repayment plans. As soon as practicable, the Secretary shall direct all Federal Direct student loan servicers to apply prepayments to loans with the highest interest rate to ensure consistency across servicers, unless otherwise instructed by borrowers.

(b) **Regular Review of Student Loan Performance and Borrower Trends.** The Director of the Office of Management and Budget and the Secretary of Education shall convene quarterly an interagency task force consisting of the Department of the Treasury, Department of Education, Office of Management and Budget, and Domestic Policy Council to monitor trends in the student loan portfolio, budget costs, and borrower assistance efforts. No later than August 1, 2015, the task force shall review recommendations for the Department of Education from its members and the Consumer Financial Protection Bureau on best practices in performance-based contracting to better ensure that servicers help borrowers responsibly make affordable monthly payments on their student loans.

(c) **Additional Protections for Student Loan Borrowers.** By October 1, 2015, the Secretary of Education, in consultation with the Secretary of the Treasury and the Director of the Consumer Financial Protection Bureau, shall issue a report to the President, through the Director of the Domestic Policy Council and the Director of the Office of Management and Budget, on (i) whether statutory or regulatory changes are needed to current provisions that permit the Secretary of Education to specify acts or omissions at institutions of higher education that borrowers may assert as a defense to repayment of a direct loan; and (ii) after assessing the potential applicability of consumer protections in the mortgage and credit card markets to student loans, recommendations for statutory or regulatory changes in this area, including, where appropriate, strong servicing standards, flexible repayment opportunities for all student loan borrowers, and changes to bankruptcy laws.

(d) Higher Customer Service Standards in Income-Driven Repayment Plans. By October 1, 2015, the Secretary of Education and the Secretary of the Treasury shall report to the President, through the Director of the Domestic Policy Council and the Director of the Office of Management and Budget, on the feasibility of developing a system to give borrowers the opportunity to authorize the Internal Revenue Service to release income information for multiple years for the purposes of automatically determining monthly payments under income-driven repayment plans.

(e) Finding New and Better Ways to Communicate with Student Loan Borrowers. By January 1, 2016, the Secretary of Education shall report to the President, through the Director of the Domestic Policy Council, on the findings of a pilot program to test new methods for communicating with borrowers who have Federal Direct student loans on which they are at least 140 days delinquent but which have not entered default. By January 1, 2017, the Secretary shall also, in consultation with the Director of the White House Office of Science and Technology Policy, develop and implement at least five behaviorally designed pilot programs to identify the most effective ways to communicate with borrowers to maximize successful borrower repayment and help reduce delinquency and default and report to the President, through the Director of the Domestic Policy Council, on the status and results of those pilot programs.

(f) Making it Easier for Federal Direct Student Loan Borrowers to Repay Their Student Loans. As soon as practicable, the Secretary of Education shall establish a centralized point of access for all Federal student loan borrowers in repayment, including a central location for account information and payment processing for all Federal student loan servicing, regardless of the specific servicer.

Sec. 3. Fair Treatment for Struggling and Distressed Borrowers.

(a) Raising Standards for Student Loan Debt Collectors. By July 1, 2015, the Secretary of Education shall implement actions to ensure that the debt collection process for defaulted Federal student loans is fair, transparent, charges reasonable fees to defaulted borrowers, and effectively assists borrowers in meeting their obligations and returning to good standing. By January 1, 2016, the Secretary of Education shall publish a quarterly performance report on the Department's private debt collection agency contractors that includes the underlying data, disaggregated by contractor.

(b) Providing Clarity on the Rights of Borrowers in Bankruptcy. By July 1, 2015, the Secretary of Education shall issue information highlighting factors the courts have used in their determination of undue hardship, to assist parties who must determine whether to contest an undue hardship discharge in bankruptcy of a Federal student loan.

(c) Protecting Social Security Benefits for Borrowers with Disabilities. By July 1, 2015, the Secretary of Education and the Director of the Office of Management and Budget, in consultation with the Commissioner of Social Security, shall develop a plan to identify Federal student loan borrowers who receive Social Security Disability Insurance (SSDI) and determine which beneficiaries qualify for a total and permanent disability discharge of their student loans under the Higher Education Act of 1965. The plan shall specify a process for the Secretary of Education to stop collection on qualified borrowers in order to ensure that SSDI benefits are not reduced to repay student loans that are eligible for discharge. In addition, the Secretary of Education and the Director of the Office of Management and Budget, in consultation with the Commissioner of Social Security, shall identify the best way to communicate with other SSDI recipients who hold student loans about their repayment options, including income-driven plans, and assist them in entering those plans.

(d) Debt Collection Pilot Program. By July 1, 2016, the Secretary of the Treasury, in consultation with the Secretary of Education, shall report to the President, through the Director of the Domestic Policy Council and the Director of the Office of Management and Budget, on the initial

findings of an ongoing pilot program that uses the Department of the Treasury's Bureau of the Fiscal Service to collect on a sample of defaulted Federal student loan debts to help determine how to improve the collection process for defaulted Federal student loans.

Sec. 4. General Provisions. (a) Nothing in this memorandum shall be construed to impair or otherwise affect:

(i) the authority granted by law to an agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This memorandum shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

(d) The Secretary of Education is hereby authorized and directed to publish this memorandum in the Federal Register.

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